Microfinance Activity

USAID's microfinance activities seek to help create an enabling policy and regulatory environment, develop institutional infrastructure and promote 'best practices' in governance of microfinance institutions (MFIs). In order to achieve these objectives, it works closely with Sa-Dhan, the leading microfinance network, to:

- Build consensus among microfinance community on policy and regulatory issues and conduct effective policy advocacy with the Government of India, the Reserve Bank of India, the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India, the Insurance Regulatory and Development Authority and the state governments.
- Develop appropriate prudential/non-prudential norms for MFIs on accounting, reporting and performance standards.
- Foster development of an appropriate legal and regulatory framework conducive to growth of sustainable MFIs.
- Build the collective capacity of the microfinance sector by appropriately designed training programs, research, and documentation and dissemination of international and local 'best practices' in management of MFIs.

The approach involves:

- Getting the mainstream financial institutions (e.g. ICICI Bank, HDFC) interested in microfinance as a business proposition;
- Working with an umbrella organization (Sa-Dhan) with established credentials in the microfinance community to develop standards and regulations for the sector, and strengthen its advocacy functions to influence policies that impact the growth of NGO-led initiatives in delivery of financial services to poor;
- Working with Sa-Dhan to help document and disseminate 'best practices' and promote networking of MFIs (both domestic and international), and develop financial performance indicators, management standards, training programs etc; and
- Using the Development Credit Authority (DCA), USAID's credit enhancement mechanism, to help MFIs access funds from the mainstream financial institutions.